

# FISCAL NOTE

**Bill #:** HB0687

**Title:** Extend compensation for disabled law enforcement officer

**Primary Sponsor:** Newman, B

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004 Difference</u></b>	<b><u>FY 2005 Difference</u></b>
<b>Expenditures:</b>		
Retirement Fund	\$201,068	\$201,068
<b>Revenue:</b>		
Retirement Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2             |

## Fiscal Analysis

### ASSUMPTIONS:

1. This is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. Based on experience of the Highway Patrol Officers' Retirement System (HPORS), all future disabilities will be duty related.
3. Because the minimum disability benefit will be so much greater than the normal service retirement benefit, assume the proposed benefits structure will cause more members to apply for and receive a disability benefit who would have otherwise received a service retirement benefit (referred to as "anti-selection"). The HPORS System has no way to measure the anti-selection until there is experience to study and can only provide a broad estimate of the impact at this time. The table below presents the cost of this proposal for anti-selection between 10 and 25 percent. The Fiscal Summary above uses the mean between 10 and 25 percent to show potential retirement system impact.

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(continued)

<b>Fiscal Impact of HB 687 – Increases to Liabilities and Employer Costs</b>			
Estimated Anti- Selection	Increase in Unfunded Liability	30 – Year Funding (Percent of Salary)	Employer Annual Additional Cost of 80% Disability.
10%	\$1,200,000	1.73 %	\$141,689
25%	\$2,100,000	3.18 %	\$260,446

4. The fair market value of assets was used to analyze the revenue requirements of this proposal.
5. Disability benefits must be paid from the employer contribution. The bill does not increase the employer contribution. However, as noted in technical note 2 below, the HPORS does not have the capacity to absorb the additional benefit without an increase in employer contribution. If the employer contribution were increased, there would be an approximate \$201,068 state special revenue impact to the Department of Justice each year of the biennium. If the bill does not increase the employer contribution but increases the benefit, it creates a potential general fund liability as noted in technical note 3 below.

**FISCAL IMPACT:**  
**HPORS**

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Benefits	\$201,068	\$201,068
<u>Funding of Expenditures:</u>		
Retirement Fund (08)	\$201,068	\$201,068
<u>Revenues:</u>		
Retirement Fund (08)	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
Retirement Fund (08)	(\$201,068)	(\$201,068)

**LONG-RANGE IMPACTS:**

The increased contributions required to pay for this proposal are projected to continue into the future for another 30 years.

**TECHNICAL NOTES:**

1. HPORS "disability" is an occupational disability, that is, the "inability of the member to perform the member's [HPORS] duties by reason of physical or mental incapacity." Total employment disability is not necessary.
2. Based on the most recent funded status of the HPORS as determined by the actuary, and the expectation of emerging investment losses in the future, HPORS recommends that all new legislative proposals include a provision for financing the entire cost of the proposal in order to maintain an actuarially sound system, which is required in statute.
3. HB 206 has been transmitted to the Senate with \$557 thousand each year of the 2005 biennium to cover the current shortfall in the Highway Patrol Officers' Retirement System.